

Message Text

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ACTION AF-18

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC PRIORITY 6014

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C O N F I D E N T I A L KINSHASA 11168

E.O. 11652: GDS

TAGS: ECON, CG, US

SUBJECT: MOBUTU'S NEW ECONOMIC INITIATIVES

REF: STATE 249417; STATE 247050

1. SUMMARY: THIS MESSAGE OUTLINES IMPLICATIONS OF NOV 30 ECONOMIC MEASURES FOR US BUSINESSES (EXCEPT OFR OIL DISTRIBUTORS) AND SUMMARIZES STEPS TAKEN TO DATE TO PROTECT US INTERESTS.

2. EMBASSY HAS REPORTED IMPACT OF FAR-REACHING NO 30 DECISIONS ON ECONOMY AND US BUSINESSES WILL DEPEND ON (A) HOW THEY INTERPRETED AND APPLIED (B) PACE AT WHICH THEY ARE IMPLEMENTED AND (C) RELATIONSHIP US FIRMS TO AFFECTED SUWHOLESALERS AND RETAILERS. AS OF DEC 26, CONSIDERABLE CONFUSION EXISTS IN ALL THREE CATEGORIES. RUMORS ABOUND, OFFICIALS ARE DIFFICULT TO REACH AND WHEN CORNERED WILL ONLY VENTURE TENTATIVE, VERBAL OPINIONS. THE RESTRICTED FINANCIAL COMMITTEE CONSISTING OF COMMISSIONERS OF STATE OF COMMERCE, NATIONAL ECONOMY, FINANCE AND GOVERNOR OF NATIONAL BANK HAS BEGUN FREQUENT, UNPUBLICIZED MEETINGS TO GRAPPLE WITH HARD DECISIONS THAT MUST BE MADE
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IN NEAR FUTURE TO IMPLEMENT NO 30 AND DEC 10 ORDINANCES.

3. AS REPORTED EARLIER, MAJOR US INVESTORS ARE NOT AFFECTED SINCE THEY HAVE CONVENTIONS PURSUANT TO THE 1969 INVESTMENT CODE. THUS, GOODYEAR, GENERAL MOTORS, SMTF (40 PERCENT STANDARD OF INDIANA), MIDEMA (CONTINENTAL GRAIN), INTERCONTINENTAL HOTEL, CROWN CORK, AS WELL AS THE OIL EXPLORATION RIGHTS OF GULF, TEXACO, AND MOBIL (THE LATTER TWO IN CONNECTION WIT OTHERS) ARE NOT AFFECTED.

4. THE FIRST GROUP TO APPROACH THE EMBASSY WAS REPRESENTATIVES OF US PHARMACEUTICAL FIRMS. ON DEC 15 CHARGE ACCOMPANIED BY ECONCOUNS CALLED ON COMMISSAIRE D'ETAT FOR COMMERCE NAMWISI. CHARGE NOTED SUCCESSFUL EFFORTS OF PRESIDENT MOBUTU AND NAMWISI TO ATTRACT US INVESTMENT TO ZAIRE. WHILE US BUSINESSES HAD NOTHING WHATSOEVER TO DO WITH THE REMNANTS OF COLONIALISM WHICH WERE THE TARGET OF THE NO 30 MEASURES, IT WAS AN ECONOMIC FACT OF LIFE THAT NATIONALIZATION EVEN WITH COMPENSATION WOULD HAVE AN ADVERSE EFFECT ON (A) US INVESTMENT AND (B) THE US FINANCIAL COMMUNITY AT A TIME WHEN ZAIRE PLANNED TO FLOAT MAJOR LOANS.

5. NAMWISI STATED PHARMACEUTICALS WOULD BE EXEMPTED AS WOULD CHEMICALS, HOTELS, BANKS, FIRMS ENGAGED IN TRANSIT INCLUDING TOURISM, BAKERIES.

6. ON DEC 22, CHARGE SAW BISENGIMANA AND, AFTER MAKING SOME POINTS AS IN TALK WITH NAMWISI, SAID FACT MAJOR US ECONOMIC INTERESTS APPEARED TO BE EXPECTED DID NOT MEAN US WOULD NOT INSIST ON RIGHT OF ANY SMALLER US COMPANIES AFFECTED TO FULL, PROMPT AND ADEQUATE COMPENSATION. CHARGE CAREFULLY WENT OVER US POSITION PARA 4 STATE 249417. SAID THIS WAS NOT MEANT AS A THREAT BUT TO REMIND GOZ OF POSSIBLE UNINTENDED DIFFICULTIES IN EVENT US FIRMS NATIONALIZED. CHARGE NOTED DIFFICULTY IN OBTAINING FIRM INFORMATION ON WHICH SECTORS AFFECTED AND ON HOW LIBERAL GOZ WOULD BE IN GRANTING EXCEPTIONS. FOR EXAMPLE, IBM LEASED AND SERVICED COMPUTERS AND ALSO SOLD TYPEWRITERS AND OTHER OFFICE EQUIPMENT. COULD WE ASSUME AN EXCEPTION WOULD BE MADE?

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7. BISENGIMANA SAID JAN 5, 1973 SPECIAL LAW ON COMMERCE AND NO 30 MEASURES AIMED AT PETTY COMMERCE WHICH ZAIRIANS CAPABLE OF TAKING OVER. GOZ HAD MADE IT CLEAR IT WISHED US INVESTMENT AS WELL AS DIRECT REPRESENTATION OF US FIRMS IN ORDER TO AVOID TRIANGULAR TRADE THROUGH BELGIUM. GOZ IN PROCESS OF DRAWING UP LISTS OF FIRMS AFFECTED. WHEN MOBUTU SAY IBM ON ONE PRELIMINARY LIST

HE WAS INCENSED. NO 30 MEASURES IN NO SENSE DIRECTED AGAINST US OR ANY INVESTOR WHO CONTRIBUTING TO GENUINE ECONOMIC DEVELOPMENT AS OPPOSED TO EXPLOITATION AS WAS CASE WITH GREEKS, PAKISTANIS, PORTUGUESE, AND SOME BELGIANS. BISENGIMANA NOTED IMPOSSIBILITY OF MAKING BLANKET EXECEPTION FOR US FIRMS AND SAID SOME BELGIANS WERE ALREADY SAYING NO 30 SPEECH DESIGNED TO HIT ALL INTERESTS BUT US. AT BISENGIMANA'S REQUEST, CHARGE LEFT FOLLOWING LIST OF US FIRMS WHICH HAD APPROACHED EMBASSY FOR ASSISTANCE: (A) IBM (2 COMPANIES); (B) SINGER SEWING MACHINE (2 COMPANIES); (C) FRANCO/LUBUMBASHI (SOAP FACTORY AND LARGE IMPORT, WHOLESALE AND DISTRIBUTION BUSINESS); (D) WESTINGHOUSE; (E) BRISTOL MYERS; (F) SOMEPHAR (JOHNSON & JOHNSON); (J) UPJOHN; (K) KALICAK (CONSTRUCTION); (L) PFIZER; (M) STERLING; (N) PARKE-DAVIS.

8. NOTING THAT PRESIDENCY UNDOUBTEDLY WELL INFORMED, I TOOK OCCASION OUTLINE ECONOMIC SITUATION IN SHABA ALONG LINES LUBUMBASHI 448. THIS WAS NOT RESULT SABOTAGE BUT RATHER UNCERTAINTY CREATED IN WAKE OF NO 30 SPEECH. BISENGIMANA SAID GOZ WELL AWARE OF SITUATION IN INTERIOR. WHEN DECIDING PUSH FOR ZAIRIANIZATION NOW, MOBUTU RECOGNIZED SOME DISLOCATION INEVITABLE.

9. COMMENT: BISENGIMANA CONFIRMED WHAT WE ALREADY UNDERSTOOD TO BE THE CASE: THE NO 30 PRESIDENTIAL DECISIONS IN NO WAY DIRECTED AGAINST US. WH HAVE NOW REMINDED GOZ AT HIGHEST LEVEL OF US POSITION ON NATIONALIZATION AND WE HAVE IMPRESSION BISENGIMANA WILL MANEUVER TO SEE TO IT THAT SMALLEST POSSIBLE NUMBER OF US FIRMS ARE AFFECTED. NEWLIN

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